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TR  
-052**Fiscal Summary  
(\$ Millions)**

		2001-02		
	Actual 2000-01	Budget Plan	Current Outlook	In-Year Change
<b>Revenue</b>	64,682	64,270	63,864	(406)
<b>Expenditure</b>				
Programs	50,075	52,011	52,283	272
Restructuring and Other Charges	31	--	--	--
Total Program Expenditure	50,106	52,011	52,283	272
Capital	2,079	1,944	1,881	(63)
Public Debt Interest				
Provincial	8,896	8,795	8,730	(65)
Electricity Sector	520	520	520	--
Total Expenditure	61,601	63,270	63,414	144
Less: Reserve	--	1,000	450	(550)
Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers*	244	140	140	--
<b>SURPLUS / (DEFICIT)</b>	<b>3,325</b>	<b>140</b>	<b>140</b>	<b>--</b>

\* Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

**HIGHLIGHTS****2001-02 IN-YEAR PERFORMANCE****BALANCED BUDGET OUTLOOK**

♦ The 2001-02 fiscal outlook is on track with the Budget Plan. As of December 31, 2001, a surplus of \$140 million is projected, unchanged from the 2001 Ontario Budget and Second Quarter Ontario Finances.

**REVENUE AT \$63.9 BILLION**

♦ The revenue outlook, at \$63,864 million, is down \$406 million from the Budget Plan and down \$248 million from Second Quarter Ontario Finances, mainly due to decreases in Retail Sales Tax and Employer Health Tax revenue.

**EXPENDITURE AT \$63.4 BILLION**

♦ Total expenditure, at \$63,414 million, is up \$144 million from the Budget Plan and up \$2 million from Second Quarter Ontario Finances, mainly due to increased funding for child welfare services and additional forest fire-fighting costs incurred during the summer and fall of 2001, partially offset by capital and Public Debt Interest (PDI) savings.

**RESERVE AT \$0.5 BILLION**

♦ Ontario's 2001-02 Budget Plan included a \$1 billion reserve designed to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. With economic growth slower than projected and consistent with the role of the reserve in prudent budgeting, an additional \$250 million of the reserve has been allocated in this quarter to ensure the balanced budget target is met. The \$450 million balance of the reserve will be available for debt reduction at year-end if not needed.

**FISCAL PERFORMANCE****REVENUE**

- ◆ The revenue outlook, at \$63,864 million, is down \$406 million from the Budget Plan and down \$248 million from Second Quarter Ontario Finances. Major changes this quarter are:
  - ◆ The Retail Sales Tax revenue forecast has been reduced by \$100 million as a result of lower-than-expected retail sales.
  - ◆ The Employer Health Tax forecast has been reduced by \$100 million due to lower-than-expected employment and wage growth.
  - ◆ Gasoline and Fuel Taxes are down \$50 million due to the impact of slower economic growth.
  - ◆ Federal transfers for Bilingualism Development are up \$2 million as a result of a one-time increase under the Special Agreement for School Governance.

**OPERATING EXPENDITURE**

- ◆ Net operating expenditure, at \$61,533 million, is up \$207 million from the Budget Plan and up \$70 million from Second Quarter Ontario Finances. Major changes this quarter include:
  - ◆ Ministry of Agriculture, Food and Rural Affairs: Savings of \$5 million due to underspending in the Healthy Futures Program.
  - ◆ Ministry of the Attorney General: A reduction of \$2 million to reflect the transfer of funding to the Ministry of the Solicitor General to support police training activities related to domestic violence intervention orders.
  - ◆ Ministry of Community and Social Services: An additional \$48 million to provide the resources needed to support Children's Aid Societies in their work to protect children.
  - ◆ Ministry of Consumer and Business Services: An additional \$4 million for enhanced identity verification in the Birth Registration and Certificate Issuance System, partially offset by underspending of \$3 million due to extended implementation of electronic service delivery initiatives.
  - ◆ Ministry of Economic Development and Trade: A reduction of \$1 million to reflect the transfer of \$1 million to Ministry of Municipal Affairs and Housing capital expenditure to support the Walkerton Business Recovery Plan.
  - ◆ Ministry of Education: An additional \$2 million to enhance programs covered under the Special Agreement for School Governance, fully offset by federal funding.
  - ◆ Ministry of Energy, Science and Technology: An increase of \$3 million for consumer education related to electricity market opening, fully offset from the Contingency Fund.
  - ◆ Ministry of Municipal Affairs and Housing: An additional \$1 million for the World Youth Day National Office and an additional \$5 million in assistance to the residents and businesses in Brockton.
  - ◆ Ministry of Natural Resources: An additional \$25 million for forest fire-fighting costs incurred during the summer and fall of 2001.
  - ◆ Ministry of the Solicitor General: An additional \$2 million for police training related to domestic violence intervention orders, transferred from the Ministry of the Attorney General.
- ◆ The Public Debt Interest forecast of \$9,250 million consists of \$8,730 million related to the Province's borrowing on its own behalf and \$520 million related to the interest on debt issued for investment in the electricity sector. This forecast is down \$65 million from the Budget Plan and down \$6 million from Second Quarter Ontario Finances due to lower-than-expected interest rates and cost-effective debt management.

### CAPITAL EXPENDITURE

- ♦ Capital expenditure, at \$1,881 million, is down \$63 million from the Budget Plan and down \$68 million from Second Quarter Ontario Finances. The major changes this quarter are as follows:
  - ♦ Ministry of the Attorney General: Underspending of \$6 million due to slower-than-expected construction of court projects.
  - ♦ Ministry of Correctional Services: A decrease of \$17 million due to construction delays in the Adult Infrastructure Renewal Program and the Young Offenders System.
  - ♦ Ministry of Energy, Science and Technology: Underspending of \$2 million due to later-than-expected establishment of Biotechnology Commercialization Centres and \$3 million due to delays in developing Connect Ontario proposals.
  - ♦ Ministry of Municipal Affairs and Housing: An additional \$3 million for Brockton capital projects fully offset from the Capital Contingency Fund and an additional \$2 million for the Walkerton Business Recovery Plan partially offset by \$1 million transferred from Ministry of Economic Development and Trade operating expenditure.
  - ♦ Ministry of Natural Resources: Savings of \$7 million mainly due to slower-than-planned upgrading of fire management facilities and enhancements to provincial park facilities.
  - ♦ Ministry of Tourism, Culture and Recreation: Underspending of \$35 million in the Sports, Culture and Tourism Partnerships initiative.

## Statement of Financial Transactions (\$ Millions)

	Actual 1997-98	Actual 1998-99	Actual 1999-00	Actual 2000-01	Q3 2001-02
<b>Revenue</b>	52,518	55,786	62,931	64,682	63,864
<b>Expenditure</b>					
Programs	43,709	46,509	47,369	50,075	52,283
Restructuring and Other Charges	1,595	76	211	31	--
Total Program Expenditure	45,304	46,585	47,580	50,106	52,283
Capital	2,451	2,187	4,832	2,079	1,881
Public Debt Interest					
Provincial	8,729	9,016	8,977	8,896	8,730
Electricity Sector	--	--	520	520	520
Total Expenditure	56,484	57,788	61,909	61,601	63,414
Less: Reserve	--	--	--	--	450
Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers*	--	--	(354)	244	140
<b>SURPLUS / (DEFICIT)</b>	<b>(3,966)</b>	<b>(2,002)</b>	<b>668</b>	<b>3,325</b>	<b>140</b>
<b>NET PROVINCIAL DEBT †</b>	<b>112,735</b>	<b>114,737</b>	<b>113,715</b>	<b>110,634</b>	<b>110,634</b>

\* Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

† Net Provincial Debt represents total Liabilities less Financial Assets.

## Selected Economic and Fiscal Statistics

	Actual 1997-98	Actual 1998-99	Actual 1999-00	Actual 2000-01	Q3 2001-02
Ontario Gross Domestic Product (GDP) at Market Prices (\$ Millions)	359,953	378,124	405,625	429,530	446,282
Ontario Population (000s) - July 1	11,249	11,387	11,523	11,685	11,874
Ontario Revenue as a per cent of GDP	14.6	14.8	15.5	15.1	14.3
Ontario Revenue Growth (%)	6.2	6.2	12.8	2.8	(1.3)
Ontario Total Expenditure as a per cent of GDP	15.7	15.3	15.3	14.3	14.2
Ontario Total Expenditure Growth (%)	0.2	2.3	7.1	(0.5)	2.9
Ontario PDI as a Share of Revenue (%)	16.6	16.2	15.1	14.6	14.5
Ontario PDI as a Share of Total Expenditure (%)	15.5	15.6	15.3	15.3	14.6
Ontario PDI as a per cent of GDP	2.4	2.4	2.3	2.2	2.1
Ontario Surplus / (Deficit) as a per cent of GDP	(1.1)	(0.5)	0.2	0.8	0.0
Net Provincial Debt per capita (\$)	10,022	10,076	9,869	9,468	9,317
Net Provincial Debt as a per cent of GDP	31.3	30.3	28.0	25.8	24.8

Sources: Ontario Ministry of Finance and Statistics Canada.

## ONTARIO GDP FELL IN THIRD QUARTER (JULY-SEPTEMBER)

◆ Ontario real GDP declined by 0.8 per cent in the third quarter of the 2001 calendar year (3.3 per cent at annual rates), following a 0.6 per cent rise in the second quarter.

## JOB GROWTH CONTINUES IN 2002

◆ In January 2002, Ontario gained 6,900 jobs, while the unemployment rate was 7.4 per cent.  
◆ Ontario employment was up 90,600 for the year 2001.  
◆ Ontario's unemployment rate was 6.3 per cent in 2001.

## CONSUMER SPENDING RISING

◆ In 2001, Ontario retail sales rose 2.9 per cent.

## HOUSING MARKET REMAINS STRONG

◆ In January 2002, housing starts soared 34 per cent to reach an annual level of 93,500 starts.  
◆ In 2001, all area housing starts in Ontario rose 2.5 per cent from the previous year.  
◆ In 2001, Ontario home resales rose 10.3 per cent.  
◆ In January 2002, Toronto home resales jumped 56.9 per cent from a year ago.

## EXPORTS DECLINE WITH SLOWER U.S. ECONOMY

◆ In 2001, Ontario merchandise exports fell 4.1 per cent, largely as the result of reduced auto exports to the United States.  
◆ Ontario manufacturing shipments fell 6.3 per cent in 2001, following a 6.2 per cent rise for the year 2000.

## RISING ENERGY AND FOOD PRICES PUSH UP 2001 INFLATION RATE

◆ January Consumer Price Index (CPI) inflation was 1.2 per cent.  
◆ In 2001, the Ontario CPI inflation rate was 3.1 per cent, up from 2.9 per cent in 2000.  
◆ Higher energy prices pushed up consumer price inflation in 2000 and 2001. Declining oil and gas prices are now translating into lower rates of inflation.

**KEY ECONOMIC INDICATORS**  
 (% Change from previous period, unless indicated otherwise)

		Annual	Annual	Quarterly				
		2000	2001	00:3	00:4	01:1	01:2	01:3
<b>Output (Seasonally Adjusted at Annual Rates)</b>								
Real GDP	Ontario	5.3	N/A	5.1	3.5	(1.0)	2.3	(3.3)
Nominal GDP	Ontario	5.9	N/A	5.0	(0.8)	3.3	3.6	(3.2)
<b>Other Indicators (Seasonally Adjusted)</b>								
<b>Labour Markets</b>								
Labour Force (Change in 000s)	Ontario	157	137	(11.1)	1.6	26.4	10.9	37.6
Employment (Change in 000s)	Ontario	184	91	(11.1)	0.9	12.7	1.7	6.9
Unemployment Rate (%)	Ontario	5.7	6.3	6.6	6.6	6.8	6.9	7.4
<b>Household Sector</b>								
Retail Sales	Ontario	7.3	2.9	(2.4)	2.4	1.7	1.7	N/A
Urban Housing Starts (000s)	Ontario	67.4	70.3	64.7	68.9	70.0	69.8	93.5
New Home Sales*	Toronto	10.4	2.1	(27.2)	0.7	39.9	87.7	N/A
MLS Home Resales*	Ontario	(1.0)	10.3	2.0	11.9	18.5	46.2	N/A
<b>Manufacturing Shipments</b>								
Transportation Equipment	Ontario	6.2	(6.3)	(1.6)	(2.4)	2.2	(2.3)	N/A
<b>Consumer Price Index*</b>								
Consumer Price Index*	Ontario	2.9	3.1	3.1	2.6	1.2	1.1	1.2

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Greater Toronto Home Builders' Association, and Canadian Real Estate Association.

\* % change from a year earlier

N/A = Data not available

# ONTARIO FINANCES

## FINANCIAL TABLES

# REVENUE

(\$ Millions)	2001-02			
	Actual 2000-01	Budget Plan	Current Outlook	In-Year Change
<b>TAXATION REVENUE</b>				
Personal Income Tax	18,624	18,010	18,260	250
Retail Sales Tax	13,735	14,340	14,190	(150)
Corporations Tax	9,200	8,340	7,940	(400)
Employer Health Tax	3,424	3,620	3,520	(100)
Gasoline Tax	2,172	2,300	2,260	(40)
Fuel Tax	648	655	645	(10)
Tobacco Tax	504	620	660	40
Land Transfer Tax	642	670	670	--
Other Taxation	333	265	265	--
	<b>49,282</b>	<b>48,820</b>	<b>48,410</b>	<b>(410)</b>
<b>GOVERNMENT OF CANADA</b>				
Canada Health and Social Transfer (CHST)	4,138	5,630	5,630	--
CHST Supplements	757	380	380	--
Social Housing	541	530	530	--
Student Assistance	40	64	64	--
Indian Welfare Services	131	117	117	--
Medical Equipment Trust	190	190	190	--
Bilingualism Development	64	64	66	2
Employability Assistance for People with Disabilities	63	39	39	--
Other	205	345	345	--
	<b>6,129</b>	<b>7,359</b>	<b>7,361</b>	<b>2</b>
<b>INCOME FROM GOVERNMENT ENTERPRISES</b>				
Ontario Lottery and Gaming Corporation	2,181	2,000	2,000	--
Liquor Control Board of Ontario	877	890	890	--
Ontario Power Generation Inc. and Hydro One Inc.	928	524	524	--
Other	14	10	10	--
	<b>4,000</b>	<b>3,424</b>	<b>3,424</b>	<b>--</b>
<b>OTHER REVENUE</b>				
Vehicle and Driver Registration Fees	929	925	925	--
Other Fees and Licences	660	685	685	--
Liquor Licence Revenue	525	518	518	--
Royalties	235	240	240	--
Sales and Rentals	637	300	300	--
Independent Electricity Market Operation Revenues	344	159	159	--
Local Services Realignment - Reimbursement of Expenditure	1,432	1,223	1,223	--
Miscellaneous	509	617	619	2
	<b>5,271</b>	<b>4,667</b>	<b>4,669</b>	<b>2</b>
<b>TOTAL REVENUE</b>	<b>64,682</b>	<b>64,270</b>	<b>63,864</b>	<b>(406)</b>

# OPERATING EXPENDITURE

(\$ Millions)	2001-02			
	Actual 2000-01	Budget Plan	Current Outlook	In-Year Change
<b>MINISTRY</b>				
Agriculture, Food and Rural Affairs	401	446	441	(5)
One-Time and Extraordinary	233	--	--	--
Attorney General	957	979	977	(2)
Board of Internal Economy	116	117	117	--
Citizenship	77	78	78	--
Community and Social Services	7,620	7,756	7,804	48
Consumer and Business Services	155	168	169	1
Correctional Services	593	610	610	--
Economic Development and Trade	81	106	106	--
Education	7,961	8,471	8,473	2
Teachers' Pension Plan (TPP)	(779)	(230)	(230)	--
Energy, Science and Technology	464	284	289	5
Environment	190	215	218	3
Executive Offices	21	21	21	--
Finance - Own Account	842	773	810	37
Public Debt Interest				
Provincial	8,896	8,795	8,730	(65)
Electricity Sector	520	520	520	--
Community Reinvestment Fund	561	561	561	--
Provision for Electricity Sector	408	4	4	--
Health and Long-Term Care	21,686	23,486	23,712	226
Accelerated Health Care Commitment	498	--	--	--
Major One-Time Health Care Costs	487	190	190	--
Intergovernmental Affairs	4	5	5	--
Labour	104	113	113	--
Management Board Secretariat	214	346	346	--
Retirement Benefits	(209)	30	30	--
Contingency Fund	--	654	548	(106)
Municipal Affairs and Housing	1,792	1,214	1,220	6
Native Affairs Secretariat	16	15	15	--
Natural Resources	417	407	440	33
Northern Development and Mines	113	179	179	--
Office of Francophone Affairs	4	5	5	--
Solicitor General	907	932	946	14
Tourism, Culture and Recreation	360	392	402	10
Training, Colleges and Universities	3,219	3,365	3,365	--
Transportation	593	519	519	--
Year-End Savings	--	(200)	(200)	--
<b>TOTAL OPERATING EXPENDITURE</b>	<b>59,522</b>	<b>61,326</b>	<b>61,533</b>	<b>207</b>

# CAPITAL EXPENDITURE

MINISTRY	(\$ Millions)	2001-02			
		Actual 2000-01	Budget Plan	Current Outlook	In-Year Change
Agriculture, Food and Rural Affairs	1	51	51	--	--
Attorney General	42	55	61	6	
Community and Social Services	14	38	38	--	
Correctional Services	95	98	81	(17)	
Education	4	16	20	4	
Energy, Science and Technology	86	76	71	(5)	
Environment	5	13	21	8	
Water Protection Fund	17	5	5	--	
Finance	7	13	13	--	
SuperBuild Millennium Partnerships	4	100	100	--	
Contingency Fund	--	100	76	(24)	
Health and Long-Term Care	182	200	200	--	
Major One-Time Capital Costs	140	--	--	--	
Management Board Secretariat	24	37	37	--	
Municipal Affairs and Housing	--	8	13	5	
Native Affairs Secretariat	5	7	7	--	
Natural Resources	65	99	92	(7)	
Northern Development and Mines	312	327	327	--	
Solicitor General	4	9	10	1	
Tourism, Culture and Recreation	32	68	33	(35)	
Training, Colleges and Universities	204	51	52	1	
Transportation	836	673	673	--	
Year-End Savings	--	(100)	(100)	--	
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>2,079</b>	<b>1,944</b>	<b>1,881</b>	<b>(63)</b>	

# ONTARIO'S 2001-02 FINANCING PROGRAM

(\$ Millions)	Actual 2000-01	2001-02		
		Budget Plan	Current Outlook	Change from Budget
Surplus / (Deficit)	3,325	140	140	--
Accruals and Consolidations	(4,496)	(2,258)	(3,075)	(817)
Maturities*	(8,145)	(9,557)	(9,467)	90
Provision for Early Redemptions	(1,036)	(1,020)	(1,523)	(503)
Other Sources / (Uses)	(330)	--	--	--
Net Repayments from / (Loans to) Agencies	766	(42)	(42)	--
Decrease / (Increase) in Liquid Reserves	962	2,551	2,551	--
Increase / (Decrease) in Short-Term Borrowing	(113)	--	--	--
Canada Pension Plan Borrowing	611	1,130	157	(973)
Long-Term Public Borrowing	8,456	9,056	11,259	2,203
of which: Completed			9,051	
Remaining			2,208	

\* Maturing debt is lower than the Budget Plan due to the Province exercising its options on extendible bonds.

◆ Proceeds from long-term public borrowing undertaken in the third quarter were \$1,682 million as follows:

	(\$ Millions)
Domestic Issues	594
Global US Issues	793
Euro Canadian Dollar Issues	295
	<b>1,682</b>

◆ In addition to the borrowing and redemptions shown in the table, the Province has bought back \$361 million of previously issued debt, financing the purchases with similar amounts of debt issued at more favourable rates.

◆ The forecast Net Provincial Debt as of March 31, 2002, is \$110.6 billion, down \$0.1 billion from the 2001 Budget Plan as a result of the downward revision to Net Provincial Debt reported in the 2000-01 Public Accounts.

